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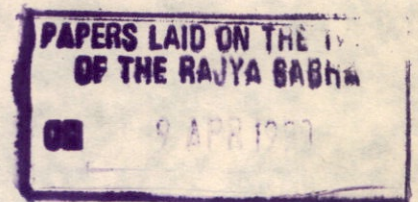
(DINESH GOSWAMI)

MINISTER OF STEEL AND MINES
AND THE MINISTER OF LAW
& JUSTICE

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA



UNION GOVERNMENT

NO. 6 (COMMERCIAL) OF 1989

HINDUSTAN STEELWORKS CONSTRUCTION LIMITED

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

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P R E F A C E

The Audit Board in this case consisted of the following members:-

S/Shri

R.C. Suri Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) upto 30th April 1984

M. Prem Kumar Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) from 1st May 1984 to 31st March 1985

K.N. Row Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) from 1st April 1985 to 11th September 1985 and as Deputy Comptroller & Auditor General (Commercial)-cum-Chairman, Audit Board from 12th September 1985 to 31st December 1985.

K.S. Murthy Deputy Comptroller & Auditor General (Commercial)-cum-Chairman, Audit Board from 1st January 1986 to 30th April 1986.

K. Ranganadham Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) from 18th June 1986 to 30th June 1987.

C.P. Mittal Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) from 1st July 1987 to 31st March 1988.

K. Tyagarajan Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) from 31st March 1988 (AN) to date.

T.K. Krishna Das Member, Audit Board & Ex-officio Director of Commercial Audit, Ranchi upto 12th May 1986.

P.K. Das Gupta Member, Audit Board & Ex-officio Director of Commercial Audit, Ranchi from 12th May 1986 to 29th Feb. 1988.

- Lachhman Singh Member, Audit Board & Ex-officio Director of Commercial Audit, Ranchi from 29th Feb. 1988 to date.
- A.P. Sinha Member, Audit Board & Ex-officio Director of Commercial Audit, Calcutta upto 9th May 1984
- A.N. Mukhopadhyay Member, Audit Board & Ex-officio Director of Commercial Audit, Calcutta from 10th May 1984 to 21st Sept., 1987.
- Smt. A. Basu Member, Audit Board and Ex-officio Director of Commercial Audit, Calcutta from 21st Sept. 1987 to date.
- A.C. Panchdhari Chief Technical Examiner, Central Vigilance Commission. Part time Member.
- * B.L. Kawlra Managing Director, Bengal Chemicals and Pharmaceuticals Ltd. Part time Member.

2. The report was finalised by the Audit Board after taking into account the results of discussions held with the representatives of the Ministry and the Company at its meeting held on 17th May 1988.

3. The Comptroller and Auditor General of India wishes to place on record his appreciation of the work done by the Audit Board and in particular, the contribution made by the two non-official members.

* Did not attend the meeting held on 17th May 1988.

12 III VI

OVER VIEW

I. Hindustan Steelworks Construction Ltd. (HSCL) was incorporated in June 1964 as a wholly owned Government Company. (Para 1.01)

The working of the Company was earlier reviewed in the Audit Report of the Comptroller and Auditor General of India (Commercial) - 1969. (Para 1.03)

II. The authorised and paid up capital of the company as on 31.3.1988 was Rs. 20 crores. (Para 3.01)

The unsecured loans to the extent of Rs. 79.64 crores were outstanding as on 31st March, 1988 (Para 3.02). In addition, an amount of Rs. 2318.76 lakhs was outstanding against Euro-dollar loan and overdraft which was taken for executing work in Libya. (Para 3.03)

III. Although the company was initially incorporated with the primary objective of construction of steel plants, the Board of Directors of the Company decided to diversify its activities in 1968 as the prospects of getting enough work in the expansion of steel plants were declining. (Para 4.01)

The Ministry stated that in the mid-1960s steel production was projected at about 18 million tonnes and three plant sites at Vishakapatnam, Vijayanagar and Salem had been tentatively decided upon. Subsequently, the level of demand for steel in the country was found to be not picking up and while the Vishakapatnam plant was progressed, the scope in respect of Salem was reduced and Vijayanagar did not come up at all. As a result, Hindustan Steelworks Construction Limited did not get anticipated volume of work. Some works at Bhilai and Vishakapatnam plants were later given to the Company.

The Company, during the period 1985-86 to 1987-88, secured 75% of its works in the diversified activities like Power and Coal etc. and only 25% in the steel sector for which it was originally incorporated. (Para 4.02.01)

IV. A test check of the works undertaken by the company revealed that :

- (i) At Supa dam, a contractor who did not complete the work was allowed extension of time and payment during the extended period was made at the enhanced rates resulting in extra expenditure of Rs. 27.13 lakhs. (Para 4.02.03 (b))
- (ii) Due to persistent delay in the progress of work of Metro Railway at Calcutta work valued at Rs. 398 lakhs out of total awarded work of Rs. 760 lakhs was rescinded and entrusted to National Buildings Construction Corporation Ltd. and National Projects Construction Corporation Ltd. at higher rates at the risk and cost of HSCL. No claim has been preferred by Railway so far. (Para 4.02.03 (c))
- (iii) The company has been raising, from time to time, huge claims against clients on account of extra items, escalation in wages/prices of materials, modifications/changes in design and methods of works and ambiguities in the conditions of the contracts. The claims were settled by the clients

through negotiations/arbitration on lumpsum basis. In many cases, the claims lodged were disproportionate to the amounts settled finally (Para 4.02.03(e)).

V. In almost all works undertaken in Libya and Iraq, the company sustained heavy losses.(Para 4.03.01)

(i) The work relating to construction of school buildings in Libya was delayed, for which the client recovered penalty and performance guarantee of Rs. 262 lakhs upto 31.3.1987(Para 4.03.02(a))

(ii) The work relating to construction of schools, blocks of flats and warehouse complex was taken up in Feb 1980 by HSCL on behalf of Projects and ~~Equipment~~ Corporation of India Ltd. in Libya. As per contract between the Company and PEC, the later was to make arrangements to raise loans in Euro-dollars or in Libyan Dinars against bank guarantees to be furnished by HSCL. These bank guarantees could be encashed by PEC only with the prior approval of the working group/IDBI. In contravention of the above stipulation, Bank guarantee provided by the Company were encashed (Rs.5.16 crores) unilaterally by PEC which resulted in overdraft and consequent payment of interest of Rs. 57 lakhs (upto March 1986) by the Company. The matter is under arbitration. (Para 4.03.02 (b))

(iii) In respect of water research complex in Iraq executed by the company on behalf of Engineering Projects (I) Ltd., the claims of associates for ID 61.50 lakhs and counter-claims of the Company for ID 16.17 lakhs were under arbitration. (Para 4.03.03(a))

(iv) In a joint venture for construction of houses in Iraq, difficulties arose in working relationship between Punjiads Chemi Plants Ltd. and the Company and as a result, consultancy fees of Rs. 22.44 lakhs remained unsettled by PCPL and also disassociation agreement with the consortium members releasing the company from contractual obligations was also not executed by PCPL (Para 4.03.03 (b))

VI. Value of Plant and Machinery acquired was on higher side compared to the value of works executed.

In the case of Supa Dam, the Company acquired plant and machinery valuing Rs. 14.09 crores against value of works awarded Rs. 26.31 crores (Para 5.01)

In connection with execution of concrete work at Kudremukh, the Company purchased two batching plants, at a cost of Rs. 36.63 lakhs which having failed to give output as per rated capacity, another batching plant was imported at a cost of Rs.28.29 lakhs and to meet with the requirement at Vishakapatnam Steel Plant site, the Company had to borrow batching plants from other agencies. (Para 5.04.01)

VII. One of the basic features envisaged at the time of setting up of the company was movement of men and machines from one project to another.

This expectation had not materialised at all due to various factors. (Para 6.01)

The bulk of manpower upto 1971-72 was engaged for Bokaro Steel Project. With progressive commissioning of the production units of this project, the quantum

of work started getting reduced. In spite of this, 7367 employees were inducted in 1972-73 and 1973-74. The company was carrying a surplus labour of 4700 workers at Bokaro Steel Plant with effect from October 1977. The total surplus labour force with the company in March, 1988 was 12,500. The wage bill of the company on the surplus work force ranged from Rs. 5 crores to Rs. 16 crores per annum in respect of all units. (Para 6.02.02)

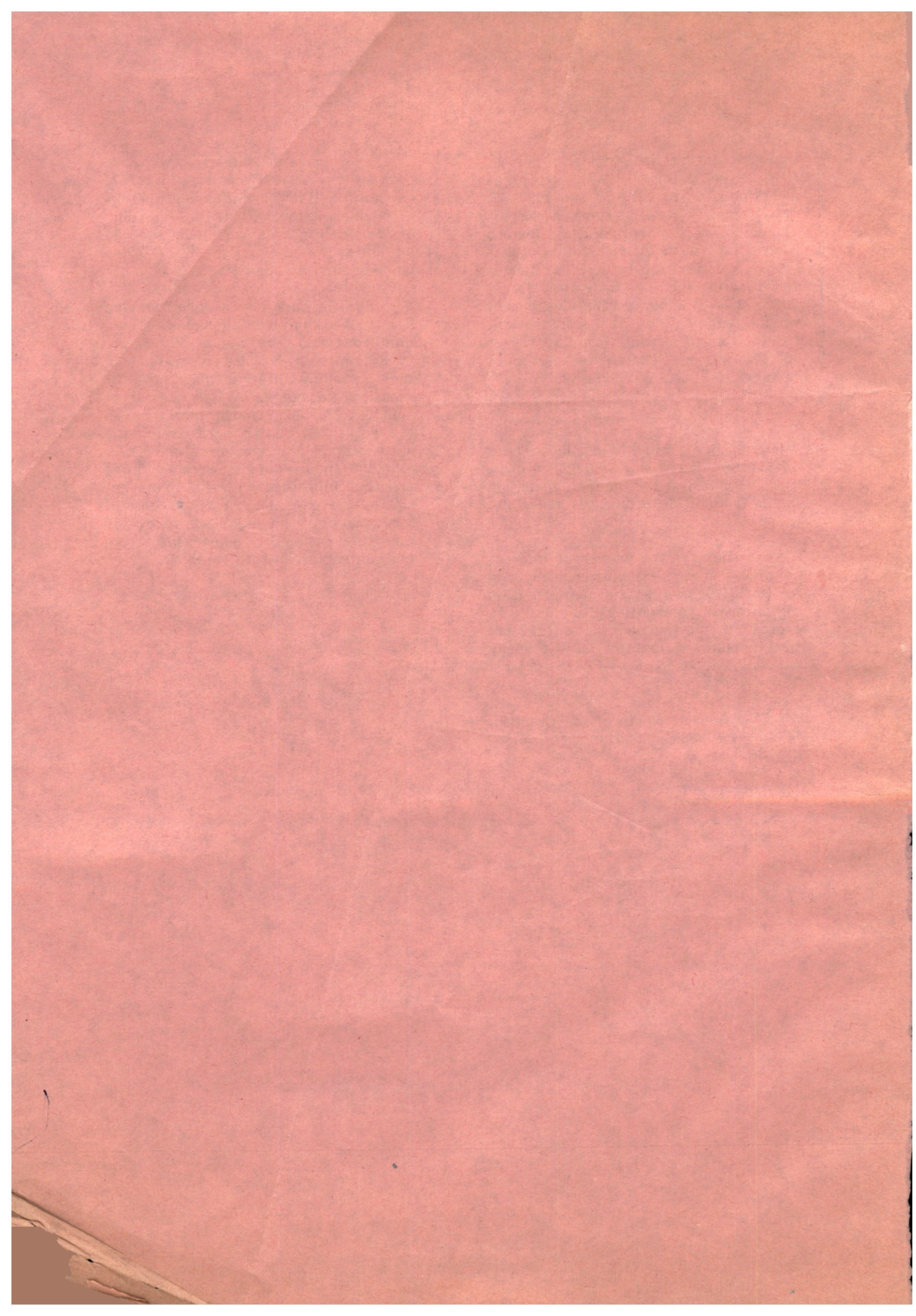
VIII. The cumulative loss upto 31.3.1988 was Rs. 86.69 crores. The Company has been incurring losses from 1978-79 onwards generally. (Para 7.03).

But for the waiver of interest on plan and non-plan loans amounting to Rs.19.40 crores and non-provision of interest amounting to Rs.21.56 crores in the accounts for 1987-88, the cumulative loss of the Company would have been Rs. 127.65 crores. (Para 7.04)

The net worth of the Company is negative. (Para 7.06)

A private contractor, who was awarded by the Company in 1967, certain Civil Engineering Works of Bokaro Steel Plant at a value of Rs. 7.69 crores was paid secured advances aggregating Rs. 75.55 lakhs against equipments.

This secured advance included Rs. 19.48 lakhs given against machinery manufactured between 1951 and 1958 which had already exhausted their working life at the time of sanction of advance. As the contractor could not make much progress in the works, the contract was terminated with mutual consent in May, 1973. No final measurements were recorded and final bill prepared by the Company so far even after 15 years of foreclosure of the contract to decide the final amount recoverable from the contractor. (Para 7.10)



1. INTRODUCTION

1.01 Hindustan Steelworks Construction Limited (HSCL) was incorporated in June, 1964, as a wholly owned Government Company, to mobilise indigenous capability of construction of integrated Steel Plants in the Country. Necessity for a separate construction organisation, in public sector to directly handle construction of steel works, had arisen mainly on account of the following reasons:-

- (i) Available contract ability was inadequate for the time and tempo of works envisaged in steel sector.
- (ii) The outlay in manpower and equipment being very heavy, the growth of contract ability, within the country was unlikely to keep pace with the demand of steel construction.
- (iii) It was envisaged that the steel target would be 18 million tonnes by 1970 and 28 million tonnes by 1975 and the setting up of the new Company would result in

(a) reduction in the construction prices, by breaking contractor's cartels.

(b) conservation of trained personnel in specialised jobs of steelworks construction.

(c) sophistication, better quality, greater productivity and economy.

1.02 On the formation of Steel Authority of India Limited (SAIL) in March, 1973 the Company became a subsidiary of SAIL. With the enactment of Public Sector Iron & Steel Companies (Restructuring & Miscellaneous Provisions) Act, 1978, H.S.C.L. ceased to be a subsidiary of SAIL and became an independent Company.

1.03 The working of the Company upto 1968 was reviewed by Audit in the Central Government Audit Report (Commercial), 1969. The present report covers the period generally upto March, 1988.

2. OBJECTIVES

2.01 The objectives as defined in the Memorandum of Association of the Company cover a wide range of construction, trading, manufacturing and other related activities.

The Company drew up (April, 1988) the micro-objective plan for three years (1987-88 to 1989-90), according to which the main objectives of the Company were stated to be:-

- a) Construction of steel plants.
- b) Construction of Irrigation facilities/dams.
- c) Construction of Power Plants both thermal and atomic.

d) Construction of Cement Plants and other industrial complexes and facilities

e) Utilisation of services of specially trained work force for equipment erection and steel plants and power sector.

f) Participation in the capital/running repairs of the coke ovens and Blast Furnaces of various steel plants.

2.02 The Company also envisages to participate either singly or as a member of a consortium in modernisation of Durgapur, Rourkela, Burnpur and Salem Steel Plants.

3. CAPITAL STRUCTURE

3.01 The Company was incorporated with an authorised capital of Rs. 1 crore. The authorised capital was increased to Rs. 10 crores in 1975-76 and to Rs.20 crores in 1978-79 in order to enable the Company to obtain better financial assistance from banks and other institutions. The paid up capital of the Company as on 31st March 1988 was Rs. 20 crores.

3.02 Unsecured Loans amounting Rs. 79.64 crores were outstanding as on 31st March 1988, payable to Central Government and other institutions. Besides, secured loans amounting Rs. 4.67 crores were outstanding on 31st March, 1988.

3.03 The Company also obtained Euro dollar loans for execution of works in Libya from State Bank of India, Bahrain and London and the amount of such loans and overdrafts outstanding as on 31st March, 1987 was Rs. 2318.76 lakhs.

3.04 The Company has made Cash Credit arrangements with the scheduled Banks upto a limit of Rs. 1,000 lakhs to meet the working capital requirements. On several occasions, during the last five years, the Company had utilised the Cash Credit to its maximum limit. The outstanding amount of Cash Credit as on 31st March, 1987 was Rs. 458.37 lakhs.

4. PHYSICAL PERFORMANCE

4.01 Although the Company was initially incorporated (June 1964) with the primary objectives of construction of steel plants, the Board of Directors of the Company decided (1968) to diversify the activities by taking up work in sectors other than steel due to following reasons:-

- i) Prospects of the Company to take up expansion schemes of steel plants, if any, were not bright as steel plants would face the problem of surplus staff.
- ii) Major portion of expansion scheme would possibly be done by the units already working with the steel plants.

- iii) The units themselves might undertake execution of the work.

4.02 WORK IN INDIA

4.02.01 The Company was taking up more work in power, coal and other sectors. The Company has also been undertaking certain civil constructions in Libya and Iraq from the eighties.

In particular, during the period, 1985-86 to 1987-88 the Company could secure 25 percent (Rs.84.79 crores) work in various steel plants as against 75% (Rs.259.63 crores) secured from other sectors. Upto 31st March, 1987, value of works undertaken by the Company in different sectors was as under:-

Value of work awarded (Rs. in crores)	
Sector	
A. <u>India</u>	
a) Steel	1552.55
b) Industrial	251.69
c) Dams & bridges	145.40
d) Power Plants	188.30
e) Coal	48.30
B. <u>Overseas</u>	106.74
	2,292.98

was projected at about 18 million tonnes and three plant sites at Vishakhapatnam, Vijayanagar and Salem had been tentatively decided upon. Subsequently, the level of demand for steel in the country was found to be not picking up and while the Vishakhapatnam plant was progressed, the scope in respect of Salem was reduced and Vijayanagar did not come up at all. As a result, Hindustan Steel Construction Limited did not get anticipated volume of work. Some works at Bhilai and Vishakhapatnam plants were later given to the Company.

In respect of work in other sectors a comparative picture of value of the works for which tenders were filed by the Company and the actual contracts received against these tenders is given in the table below:-

The Ministry stated (May 1988) that due to change in the outlook of steel plants in awarding works, the Company could not secure major portion of the orders. The Ministry further clarified (May 1988) that the Steel plants were inviting tenders in small packages and the Company could not compete with small contractors; further, for turn-key contracts invited by steel plants, the Company could not bid unless it had some tie-up with firms supplying machinery also in a consortium arrangement.

Year	Amount of work for which tender was filed.	Value of secured tenders
	(Rs. in crores)	(Rs. in crores)
1985-86	680.79	79.36
1986-87	439.36	60.04

During the Audit Board meeting clarifications were sought for as to the Steel Projects kept in view apart from Bokaro Steel Plant at the time of incorporating the Company. The Ministry stated that in the mid-1960's steel production

Out of the tenders amounting Rs. 680.79 crores filed in 1985-86 in sectors other than steel an amount of Rs. 400.21 crores related to 13 tenders filed in connection with dams and bridges only. Against these 13 tenders, the Company secured only one work valuing Rs. 1.25 crores.

Similarly, the tenders filed in 1986-87 include Rs.228.45 crores relating to 30 works in power plants only. Out of these the Company secured only 4 works valuing Rs. 7.35 crores.

4.02.02 Generally the works undertaken are executed by the company.

- i) by engaging sub-contractors,
- ii) through piece rate workers and
- iii) through departmental labour.

Civil engineering works are usually executed through sub-contractors, and the scope of the agreement with sub-contractors generally includes provision of plant and equipment, supply of labour force and supervision, under the overall supervision of the Company. Steel and Cement required for the work are provided either free of cost or on cost recoverable basis by the Company. Piece-rate workers are also engaged for execution of civil engineering works and under the normal terms of agreement with them, plant and equipment, materials and supervision, are provided by the Company.

Ministry stated (January, 1988) that regular structural erection work, mechanical equipment erection, electrical equipment erection, refractory lining works and operational jobs are usually carried out through departmental workers. In addition, they are utilised also to undertake the rectification/modification works, for attending to specialised miscellaneous types of works during

trial runs and commissioning of scheme/projects and in service departments.

4.02.03 Test check of certain works executed by the Company revealed interesting features as mentioned below:

4.02.03(a) An agreement was entered into (December, 1972) with a firm for the excavation work of Pump House No. 9 of Bokaro Steel Plant. Two tower cranes and three mobile cranes were given to the contractor on hire to expedite the work. An amount of Rs. 5.90 lakhs was due from the contractor on account of hire charges. As per final bills submitted by the contractor for various works executed by him, an amount of Rs. 2.45 lakhs was payable to the contractor. Management was of the opinion that rate of excavation with the clients be revised from Rs. 30 to Rs. 62.20. The recovery of hire charges of cranes from the contractor and revision of rates by the clients had not been settled (January '88).

4.02.03(b) At Supa Dam, the Company awarded a contract (October, 1984) to a private construction Company for work of receiving concrete from cableway buckets etc. The Contract provided for execution of 2.00 lakh cubic metres of concrete works during the season 1984-85 at a seasonal rate basis. However, the contractor could complete only 1.41 lakh cum. of concrete work during the season leaving a balance of 0.59 lakh cum. As per terms of contract, the contractor was entitled to extension of time only in the event of delay for reasons not attributable to him.

Contrary to the above, the contractor was allowed to execute the back-log work of the 1984-85 season at an enhanced rate resulting in an extra expenditure of Rs.27.13 lakhs, which the client (KPCL) did not agree to reimburse on the ground that there was no stipulation in the agreement with HSCL for revision of rates.

4.02.03(c) The Company started the construction work of sub-way structure of Metro Railway at Calcutta in 1979. The Metro Railway authorities pointed out persistent delay in progress of work and rescinded upto September, 1981 work valued at Rs. 398 lakhs out of the total value of work worth Rs. 760 lakhs awarded to the Company. The portion of work rescinded was entrusted to M/s NBCC and M/s NPCC at higher rates at the risk and cost of Company. No claim towards extra cost has been received from Railways so far (October, 1988). The Company attributed the delay in completion of work to delay in handing over of sites, law and order situation, theft and pilferages, delay in issue of materials and drawings etc.

The Company incurred a loss of Rs.69.11 lakhs upto 31.3.1987 in executing that work.

The following are the main reasons for loss incurred by the Company:-

- (i) The expenditure incurred in site establishment upto 1986-87 was Rs.152.32 lakhs which was far in excess of Rs. 27.28 lakhs included in the estimates for this item.

- (ii) By entrusting the earth work to a contractor at higher rates, the Company incurred a loss of Rs.8.28 lakhs on this item.

4.02.03(d) The Company was entrusted with three works of National Aluminium Company (NALCO) at Angul in 1982 as per details given below:-

Description of work	Value of work	Scheduled date of completion	Actual date of completion
	(Rs. in lakhs)		
Cosntruction of enabling works and other facilities etc. for Alumi-nium Smelter Plant.	392.72	12 months from 27.2.1982	31.12. 1984
Construction of Storage Reservoir Pump Station Treat-ment Works, etc.	115.20	16 months from 23.3.1982	31.12. 1984
Grading, Cosntruction of Roads and drainage etc. for Captive Power Plant.	210.38	12 months from the date of handling over of the first phase of site. (July, 1982 to July, 1983)	31.1. 1984

It may be seen from above that the works could not be completed within the scheduled dates and there was delay ranging from 6 to 22 months.

The delay was attributed by the Management (June 1983) to delay in handing over the sites by NALCO, stoppage of work by villagers, major revision in drawings, and also delay in issue of drawings etc.

The Company has lodged claim on account of extra items, escalation, etc. amounting to Rs.148.67 lakhs upto 31.3.1987 and the same is yet to be settled. This claim has to be viewed in the background of there being no provision in the contract against loss due to delay caused by the client's failure to hand over site or revision of drawings.

4.02.03(e) Lodging of disproportionate claims

A recurring feature noted was that the Company has been raising from time to time huge claims against clients on account of (1) extra items not covered in the agreements, (2) escalation on account of increase in wages and prices of materials/consumables, (3) modifications/changes in design and methods of works, and (4) ambiguities in the conditions of the contract. In some cases clients disputed the claims initially as not covered by the contract, but later settled through negotiation/arbitration on a lumpsum basis as detailed in Annexure I. In many cases, the claims lodged were disproportionate to the amounts settled finally. Ministry stated (January, 1988) that claims were lodged for higher amounts to have adequate scope for bargain and also to counter

the claims likely to be put up by the sub-contractors and also due to market culture. It is relevant to mention that the inflated claims on other Public Sector Units are not desirable, apart from the fact that the Company received much less than what it had claimed on the basis of elaborate data.

4.3 Works Overseas

4.03.01 On the type of works undertaken abroad, the Company was asked to clarify during the Audit Board meeting how it had gone for execution of works like school, buildings, while its expertise was rooted in the field of steel plants construction. It was indicated that initially construction of school buildings was taken up in Libya with a view to gain a foothold in that country in trying to secure orders in the industrial projects including steel plants which were likely to come up there but unfortunately this did not materialise in the end. In almost all the works undertaken in Libya and Iraq, the Company sustained heavy losses. Details of the works taken up were as under:-

A.	<u>Libya</u>	LD(000)	Rs. in Crores
1.	Construction of 30 school buildings in Western Sector.	10848	29.30
2.	Construction of 25 School buildings in Eastern Sector.	8655	23.37

3. Construction of 5685 15.35
School building, flats, warehouse, Admn. building, sub-contracted by PEC.

4. Construction of 693 1.87
Quoranic Schools

5. Construction of 1662 4.49
Main Training Centre

6. Construction of 14921 40.28
40 School buildings

B Iraq

Construction of 3060 ID 8.26
Water Research Centre Complex

C. Maldives

IAAI Works 0.38

123.30

achieved in this regard as on 31.3.1987 is indicated below:

Sl. No.	Name of Project	Date of Completion of work as per contract	Revised date of completion as envisaged by the Company	Progress achieved upto 31.3.1987 (Revised value) (%)
1.	28+2SBP	Oct., 1981	Dec., 1988	92
2.	29 SBP	Nov., 1982	March, 1989	79
3.	11 SBP	June, 1983	March, 1989	19
4.	Main Trg. Centre	July, 1983	June, 1988	88
5.	Quoranic School	April, 1980	Handover in Oct., 1983	100
6.	25 SBP	June, 1983	May, 1989	91

Certain aspects noted during the audit of the above works are given in succeeding paragraphs.

4.03.02 Contract in Libya

4.03.02(a) Libya School Building

The Company has entered into agreement with certain firms as associates for execution of these works. Many of the works were not executed in time. The progress

As per the terms of the contract the Company was liable to pay penalty/liquidated damages for delay in completion of the works. The clients have recovered a penalty and performance guarantee of Rs. 262 lakhs upto 31.3.1987 for delay

The percentage has changed as 4 schools withdrawn earlier were restored by client resulting in increase in the value of contract.

in completion of the works. The Ministry stated (January, 1988) that the release of penalty is considered by the clients after completion of the works and after satisfying themselves of the genuineness of the reasons for delay in completion of works. In such cases the date of completion is extended by the clients and penalty recovered is released.

- (i) Under the Libyan law, the associates not being registered, were not allowed to raise loans. The Company has paid from time to time interest bearing advances without any security to the associates to maintain the progress of works. The total amount of advances outstanding with the associates as on 31.3.1987 was L.D. 29.86 lakhs for projects taken directly by HSCL and L.D. 7.00 lakhs for projects taken through Projects & Equipment Corporation of India. Ministry stated (January, 1988) that guarantees of some of the associates have already been encashed and legal actions have already been taken for recovery of the outstanding amount.

4.03.02(b) Construction of Schools, Buildings, Flats, Warehouses, Admn. Buildings, Sub-contracted by ^{of India Ltd.} Project Equipment Corporation (PEC)

Construction of 8 Schools, Blocks of flats and warehouses complex was taken up by HSCL on behalf of Project and Equipment Corporation ^{of India Ltd.} (PEC) in Libya in February, 1980. The contract between HSCL and PEC provided that on the request of HSCL, PEC would make arrangements to raise loans in Euro-Dollars or in Libyan Dinars

against Bank Guarantee to be furnished by HSCL.

To meet the working capital requirement, HSCL obtained loan amounting to LD 7.45 lakhs from PEC by executing three Bank Guarantees for LD 7.50 lakhs.

Another Bank Guarantee of LD 2.52 lakhs was given by the Company to PEC which was counter guaranteed by the Government of India, to meet the expenses required for repatriation of work force who had completed their contracts at Libya.

As per terms of the Bank Guarantee, the above amount of loan was repayable to PEC on demand. However, PEC was authorised to encash the Bank Guarantees only after obtaining prior approval of the working group/ IDBI (now Exim Bank).

Contrary to the above, PEC had unilaterally encashed the Bank Guarantee furnished by HSCL including Government Guarantees value totalling to Rs.5.16 crores.

Since the encashment of Bank Guarantees had resulted in overdraft in the bank account, the Company had to pay interest of Rs.57.00 lakhs (upto March, 1986).

The Company have preferred claim on various accounts on PEC for an amount of LD 79.73 lakhs. PEC have also preferred counter claims amounting to LD 10.81 lakhs with the Company. The claims/ counter claims and other disputes between the two Companies have been referred May, 1988 to by the Ministry to the BPE for arbitration. Final decision is yet awaited.

4.03.03 Contract in Iraq4.03.03 (a) Water Research Complex in Iraq

Engineering Projects (India) (EPI) had been awarded in 1979 a contract for construction of Water Research Centre in IRAQ. EPI in turn entrusted the Civil Engineering Works totalling approximately 30.60 lakhs Iraqi Dinar (Rs. 8.26 crores) to HSCL. HSCL awarded works to their associates M/s. Syndicate Engineering Company for a total value of 25.50 lakhs Iraqi Dinars. As M/s. Syndicate Engineering Company was not registered with Iraqi Government as a sub-contractor, funds were provided by HSCL on "actual required basis" without back up guarantee. The performance bond executed by M/s. Syndicate Engineering Company for Rs. 20.00 lakhs was reduced to Rs. 10.00 lakhs in August, 1979. The amount of such advances outstanding against associates on 31.3.1985 was Rs. 301.61 lakhs.

The work scheduled to be completed by June, 1981 could not be completed on account of the following factors:

- i) Sudden out-break of war in September, 1980.
- ii) Delay in handing over the site.
- iii) Delay in handing over the sequential drawings.
- iv) Delay in communicating decision by Iraq authority regarding change for alternative structure.

- v) Delay in issue of import permission by the client.

The work which was suspended in September 1980 due to war was resumed in December, 1980/January, 1981 but was abandoned in August, 1981, as the situation in IRAQ was not favourable for carrying out construction work. Thereafter, the work was handed back to EPI under a general agreement between EPI and HSCL in August, 1981. The Company handed over all the assets including depreciated Plant and Machinery of their associates, enabling works, site facilities etc. to EPI and preferred a claim of Rs. 1499.43 lakhs. The matter was referred to BPE for arbitration and as per arbitration award HSCL was required to pay a sum of Rs. 82.70 lakhs in full settlement of all claims of HSCL on EPI and counter claims of EPI.

The associates have preferred a claim of ID 61,50,525 and HSCL have preferred a counter claim amounting to ID 16,17,304 plus interest. The matter has been referred to BPE (July, 1984) for arbitration. The claim was yet to be settled (1/1988).

4.03.03(b) Joint venture for construction of houses in Iraq.

An agreement between Iraqi Client State Organisation Iraqi Ports Basrah and members of consortium comprised of (a) Punjab Chemi Plants Ltd. (PCPL), (b) Hindustan Steelworks Construction Limited (HSCL) and (c) Larson & Nilsen International of Denmark and Khalid-Al-Massud Trading Establishment Kuwait was signed on 8th June, 1980 for construction of 2269 numbers of pre-fabricated houses near Basrah.

A formal agreement between M/s PCPL and the Company was also entered into in April, 1980 according to which actual execution of work was to be undertaken by M/s. PCPL and HSCL was to act as a consulting engineer for which a remuneration of 2 per cent of total receipt was to be paid to HSCL. The agreement also provided that the performance guarantee, advance payment guarantee, tender guarantee required for financial overdraft etc. were to be furnished by HSCL and M/s. PCPL jointly in the ratio mutually agreed upon. The profit and loss was to be shared on 80:20 basis between M/s. PCPL and HSCL and the guarantee to be shared 50:50. However, the bankers have not accepted the agreement and insisted for 100 per cent guarantee from the Company and the company executed guarantees for Rs. 23.04 crores.

In the course of execution of work a number of difficulties were encountered in the working relationship between M/s. PCPL and the Company. The matter was discussed with Ministries, financial institutions and after detailed consideration of various aspects by all the concerned organisations an agreement was signed between M/s. PCPL and the Company on 25th September 1981, according to which:

- i) PCPL should arrange to furnish bank guarantees in replacement of the bank guarantees furnished by HSCL and release HSCL un-equivocally from all the liabilities of the above guarantees.

- ii) PCPL to indemnify HSCL from any and all liabilities financial, legal, technical or administrative etc. in respect of the joint venture.
- iii) PCPL should take up with SOIP for the withdrawal and release of HSCL from all its obligations and liabilities under contract entered into with members of consortium.
- iv) PCPL should obtain the consent of other members of consortium for withdrawal and release of HSCL from the consortium.
- v) PCPL and joint venture should pay to HSCL on demand all the expenditure incurred by HSCL including payment towards 1 per cent head office overheads and 2 per cent HSCL fees on total receipt up-to-date before 30th July, 1983 or as soon as surplus get generated whichever is earlier alongwith interest at bank rate thereon.

However, PCPL had neither executed the disassociation agreement with the consortium members nor took up the matter with SOIP for release of HSCL from the contractual obligations. The consultancy fees of Rs. 22.44 lakhs has also not been paid by PCPL so far (January, 1989).

According to the decision of Government of India the Company has since pulled out from all works in Libya on "as is where is basis". In respect of other works in foreign countries a decision to pull out from the work sites in foreign countries is under consideration of the Company.

5. PLANT AND MACHINERY

5.01 Plant and Machinery constituted major portion of fixed assets (Rs. 83.17 crores) of the Company being 70 per cent (Rs. 58.26 crores) as at 31st March, 1987 purchased for execution of work awarded by clients. It was, however, observed that acquisition of plant and machinery by the Company over the years was on higher side compared to the works executed. The following table would indicate the above trend for the years 1982-83 to 1986-87.

Year	Turn over	Value of work done departmentally	Value of addition of Plant and Machinery
(Rs. in lakhs)			
Value of Plant & Machinery 4623 as on 31st March 1982			
1982-83	16184	9730	321
1983-84	15678	8473	86
1984-85	16387	8192	123
1985-86	18178	10466	407
1986-87	17928	10684	525

The build up of Plant and Machinery over the years 1973-74 to 1986-87 is shown in Annexure-II. From the details in the annexure it may be seen that besides the share capital, loans from Govt., financial institutions and advances from clients was invested for the purchase of plant and machinery.

It was also noticed in some cases that the plant and machinery acquired was disproportionate to the value of works for which the same was procured. In the case of Supa Dam Project, the Company invested Rs.14.09 crores on plant and machinery for execution of works estimated at Rs. 26.31 crores (value of work executed upto 31st March 1987 was Rs. 61.78 crores).

The Ministry stated (January, 1988) that

"..... some of the specialised equipments purchased for Supa Dam Project also now under utilisation in HSCL's assignments in the Kadra concrete dam of KPCL, the contract for which has been awarded to the Company at a value of about Rs. 25 crores and also in the Tanakpur Project of National Hydro Electric Power Corporation Limited, the work of which was awarded to the Company at a value of about Rs.25 crores".

5.02 The details furnished in Annexure III indicate the utilisation of plant and machinery in some of the major project sites during the years 1982-83 to 1986-87. As will be seen, therefrom, the utilisation of plant and machinery was less than 50 per cent of available capacity. The main reasons for underutilisation of machinery were want of work and the breakdown of machinery (details in Annexure IV).

The Management stated that departmental equipments have

been hired out to the zonal contractors, depending upon the availability and hire charges.

5.03 Against the investment of Rs. 41.98 crores in March 1980 (Rs. 59.26 crores in 1987), the hire charges recovered were as follows:

	(Rs. in lakhs)
1979-80	73.07
1980-81	118.22
1981-82	128.46
1982-83	136.39
1983-84	159.65
1984-85	117.46
1985-86	101.59
1986-87	58.17

5.04 A test check of the utilisation of plant and machinery revealed as follows:

5.04.01 For executing the mass concrete work at Kudremukh the Company purchased (October, 1977 and April, 1978) two Batching Plants with a rated capacity of 60 CUM/HR each at a cost of Rs. 36.63 lakhs from a firm in Delhi. The plants could achieve capacity of 20-30 CUM/HR.

Both the plants were transferred to Vishakhapatnam Steel Project site of the Company in 1980-81 on completion of work at Kudremukh. As the performance of both these plants was far below the rated capacity, the Company had to borrow (in March, 1982) Batching Plants from National Projects

Construction Corporation and Vishakhapatnam Steel Project. In view of the poor performance of the Batching Plants available indigenously, a new batching plant was imported from West Germany at a cost of Rs. 28.29 lakhs. Ministry stated (January, 1988) that in respect of Batching Plant purchased from a Delhi firm, action was being taken to recover the amount from the supplier.

5.04.02 The Company purchased (March, 1975) a Rumanian Tractor from an Indian firm, the sole agent of the Rumania Traders, at a cost of Rs. 5.72 lakhs. Soon after its purchase, the tractor developed mechanical problems which were got rectified by the Rumanian Technicians in August, 1975. Again the tractor developed some operational problems in October 1975. After repair it could be utilised for only 94 hours upto 29th November, 1975 and since then it has been lying in breakdown condition although spares worth Rs. 0.50 lakh were purchased for the tractor.

5.04.03 In August, 1978, the Board of Directors decided that all un-serviceable equipments should be disposed of as quickly as possible. Many un-serviceable equipments are, however, still pending disposal by the units for more than two years.

Though a survey committee submitted (July, 1984) a Survey Report in respect of un-serviceable heavy equipments lying at Bokaro, Bhilai, Vizag and Supa Dam, costing Rs. 67.02 lakhs (Depreciated value - Rs. 5.45 lakhs) the equipments have not been disposed of so far (March, 1987).

The total value of un-serviceable equipments pending disposal as on 31.3.1987 was Rs. 25.38 lakhs.

6. PERSONNEL POLICY
AND MANPOWER ANALYSIS

6.01 Personnel Policy :

The build up and deployment of manpower has to be viewed from the angle that at the time of setting up the Company movement of men and machines from one project to another would be one of the basic features. The above approach further acquired significance in the backdrop of certain recommendations made by the Committee on Public Undertakings 1971-72 (Fifth Lok Sabha) in its Seventeenth Report on "Personnel Policies and Labour-Management relations in Public Undertakings" on surplus staff in Public Sector Undertakings in general. In the evidence tendered before the Committee (vide para 2.24 of the report) it was stated by the Director General, Bureau of Public Enterprises that " a large number of surpluses come in, at the time of change over from construction to operation, because construction labour, by and large, is unskilled labour. They would get accommodated when the construction starts and they would take the place of helpers in the plant. This we are trying to avoid by setting up Public Sector Construction Corporations. It would undertake the job of construction and would move along with its labour force to the next site, after finishing the job in one site, as is done by private sector Corporations, like the Hindustan Construction Company and the people like that". The Committee vide para 2.31 of its report noted that "with the creation of a separate construction corporation, which would move along with its labour force to the next site,

after finishing the work in one undertaking, there should be no question of adding on these men to the undertaking on its commissioning".

However, this concept of expertise and savings likely to arise from these had not materialised at all due to various factors.

6.02 Man Power

6.02.01 The growth of manpower of the Company from 1967-68 to 1987-88 as well as the value of work done during each of the above period is indicated in Annexure V. It will be seen that the manpower of the Company increased from 1115 in 1967-68 to 26537 in 1978-79 and was 21498 in 1987-88.

6.02.02 The bulk of the manpower upto 1971-72 was engaged for Bokaro Steel Project which constituted a major portion of the turnover of the Company in the earlier years. With the progressive commissioning of various production units of Bokaro Steel Plant, the quantum of work for the Company started getting reduced. Instead of decrease in the work-force corresponding to the diminishing trend in the quantum of work, there was induction of 7367 employees in 1972-73 and 1973-74, and the Company continued to maintain a large labour force at Bokaro Site without any tangible decrease.

The Ministry stated (January, 1988) that,

"Civil engineering works initially formed the major part of the receipts but it gradually tapered off while the work load for erection increased requiring induction of departmental workers on the erection front. It may be mentioned in this connection that the labour element for

erection works in any turnover is much more than the labour element in civil engineering works in the corresponding value of same turnover".

In the Director's report of June/September 1980 and December, 1981 to the shareholders, it was pointed out that the Company had been carrying a surplus labour force of about 4700 workers at the Bokaro Unit from October, 1977 involving a financial burden of Rs. 5 crores annually. The surplus labour increased to 7000 as on 31.3.1987 and the financial burden of carrying surplus labour force has further increased to Rs. 14.41 crores in the year 1986-87.

In the later years against the requirement of 2500 workers at Bhilai Steel Plant the Company could transfer only about 2119 workers to Bhilai because of the agitation of the local labour there. In order to end the agitation at Bhilai about 1274 additional workers were recruited there, while the Company was having surplus labour at Bokaro. The Company could not utilise surplus labour of Bokaro even in Vishakhapatnam Steel Plant work. The cumulative expenditure on idle surplus labour upto the end of 1986-87 was about Rs. 77.82 crores.

On the extent of surplus labour at Bokaro and whether there was workload at Bokaro for about 6000 people considering that 40% of the total labour strength was deemed surplus, the Management ascribed the surplus at Bokaro to uncertainties in the volume of work. It was indicated that

out of labour force of 21500 on 31.3.1988 normal maintenance work at Bokaro plant might require about 2000 and about 7000 people would be required at other worksites. Thus a total work force of only 9000 was justified and the balance of 12500 would be surplus on the whole. The Audit Board was informed that in the present context there was no escape from carrying surplus labour. On details required relating to impact of the scheme introduced for retrenchment of surplus labour force, the Management stated (May, 1988) that a scheme for voluntary retirement had been introduced but there had not been adequate response and the work force generally was of such age composition that majority would reach age of superannuation only in a period of 12-15 years. The wage bill of the Company on the surplus labour has gone up from Rs. 5 crores to Rs. 16 crores in respect of all the units.

The Management has also earlier stated (November, 1982) as follows:-

- i) The build up of manpower in HSCIL in the earlier years was in line with the development of work load which went on increasing from year to year at Bokaro. The induction of manpower was mainly in the field of Erection and Refractory lining works. In these disciplines, some of the contractors earlier working under BSL had abandoned their work and HSCIL was

asked to take over the workers of the erstwhile contractors in the interest of maintaining industrial relations.

meeting, the total strength of departmental workers of the Company at Bokaro increased by four thousand workers.

- ii) At the initial stages, Bokaro Steel Limited requested the Company to supply them about 1500 workers to carry out their assignments on the understanding that they would ultimately be absorbed by the Bokaro Steel Limited. However, actually only 150 workers were absorbed by the Bokaro Steel Limited and the balance were returned to the Company after completion of this work.
- iii) In 1971 in a meeting held between the representatives of the Bokaro Steel Limited, the Company and Ministry of Steel it was decided that to expedite completion of works at Bokaro the Company should deploy additional staff of considerable magnitude. Bokaro Steel Limited gave an assurance that expenditure on account of idle labour would be reimbursed by Bokaro Steel Limited. However, no such reimbursements had been made by Bokaro Steel Limited to the Company. As a result of the decision taken in the

As per the recruitment policy followed by the Company, the workers were initially employed on daily rated basis. In 1974 the Company decided to convert all the 700 daily rated workers as monthly rated workers.

The Ministry during the Audit Board proceedings also restressed that redeployment of manpower became difficult due to resistance over shifting from Bokaro to Bhilai as also the resistance by the local people of Bhilai. It was also mentioned that similar problem was faced at Vizag also.

6.02.03 The Bureau of Public Enterprises in September 1972 had laid down norms for workload for construction works in public sector undertakings, but these have not been adopted by the Company.

The Ministry stated (January, 1988) that In construction works, it was very difficult to stick to any norms since site conditions and nature of work were not always identical.

7. FINANCIAL POSITION AND WORKING RESULTS

7.01 Financial Position

The following table indicates the financial position of the Company for the last four years ending 31st March, 1988.

<u>Liabilities</u>	<u>(Rs. in Lakhs)</u>			
	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>
a) Paid up Capital	2000.00	2000.00	2000.00	2000.00
b) Reserves and Surplus	346.14	113.92	113.92	54.57
c) Borrowings:-				
i) From Govt. of India	4593.00	5993.00	6868.00	7914.00
ii) From Bank (Cash Credit and over- draft)	428.85	102.74	458.37	467.43
iii) Term Loan including Deferred Credit	3021.89	1940.31	2318.76	2824.56
iv) Loan from MECON	65.00	50.00	50.00	50.00
d) i) Advances from clients for materials machinery etc.	4887.56	4041.80	3758.71	3924.83
ii) Other Current Liabilities including provision.	14004.29	12852.52	13746.48	13929.38
	29346.73	27094.29	29314.24	31164.77

<u>Assets</u>					
a)	Gross Block	7321.71	7783.28	8317.33	8526.44
b)	Less depreciation	3948.13	4338.13	4804.06	5083.11
c)	Net fixed assets	3373.58	3445.15	3513.27	3443.33
d)	Capital Block in progress	101.74	116.53	184.34	279.77
	i) Capital Equipment in Transit/in stores/ Advances paid.	295.31	165.72	99.26	88.29
e)	Investment	4.54	4.54	4.54	4.54
f)	Current Assets, loans & Advances	17562.34	16860.34	17994.66	18679.65
g)	Profit and Loss Account Balance	8009.22	6502.01	7518.17	8669.19
		29346.73	27094.29	29314.24	31164.77
	Capital Employed	6942.90	7452.97	7841.60	8350.15
	Net Worth	(-) 5663.08	(-) 4388.09	(-) 5404.25	(-) 6614.62

- Note: i) Capital employed represents net fixed assets plus working capital.
- ii) Net worth represents paid up capital plus reserves less accumulated losses.

7.02 Working Results

The working results of the Company for the years 1984-85 to 1987-88 are given below:

	(Rs. in Lakhs)			
	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>
A. <u>INCOME</u>				
i) Contract Receipt	16,982.84	18,177.83	17,928.03	17,217.44
ii) Receipts from Awards	1,540.94	576.00	-	1,017.25
iii) Receipts from Township	24.04	25.27	25.59	27.40
iv) Other Receipts	311.39	424.23	258.96	239.07
	<hr/>			
Total Income	18,859.21	19,203.33	18,212.58	18,501.16
	<hr/>			
B. <u>EXPENDITURE</u>				
i) Cost of material, other direct and indirect charge on contracts.	16,492.61	16,967.81	17,083.30	17,536.12
ii) Other expenses	1,105.14	904.23	1,073.91	1,135.93
iii) Township expenses	64.28	67.01	77.65	81.69
iv) Prior period adjustments	-	-	29.07	39.51
v) Interest & Financial charges	767.52	(691.09)	488.70	474.49
	<hr/>			
	18,429.55	17,247.96	18,752.63	19,271.74
	<hr/>			
C. <u>NON-CASH-CHARGES</u>				
Depreciation	420.89	448.14	476.11	384.44
	<hr/>			
D. <u>TOTAL EXPENDITURE (B+C)</u>	18,850.44	17,696.10	19,228.74	19,652.18
	<hr/>			

E. **NET PROFIT (+)/ Net loss (-)** * + 8.77 *** + 1507.23 **(-)1016.16 ****(-)1151.02
(A-D)

* After adjustment of write back of investment allowance reserve of Rs. 305.52 lakhs.

** After adjustment of income tax provision no longer required Rs. 16.73 lakhs.

*** After adjustment of waiver of interest of Rs. 1059.85 lakhs on Government loan and write back investment allowance reserve of RS.232.22 lakhs.

**** After adjustment of write back of investment allowance reserve of Rs. 59.35 lakhs

7.03 The Company incurred losses generally from 1978-79 onwards. The cumulative loss upto 31.3.1988 was Rs. 86.69 crores.

7.04 The Company obtained unsecured loans from the Government of India aggregating Rs. 76.28 crores out of which loans to the extent of Rs. 7.60 crores have been repaid till 31st March 1987. Total amount of interest payable on such loans amounted to Rs. 42.37 crores upto 31st March, 1987 against which an amount of Rs. 12.88 crores has been paid. Out of the balance amount of Rs. 29.49 crores, Government of India waived off interest amounting Rs. 19.40 crores (upto 31.3.1988). The Company approached the Government for waiver of interest amounting to Rs. 10.09 crores for 1986-87 for which no provision was made in the accounts. But for the waiver of interest of Rs. 19.40 crores and non provision of interest amounting to Rs. 21.56 crores (Rs. 10.09 crores in 1986-87 and Rs. 11.47 crores in 1987-88) in the accounts for 1987-88, the cumulative loss of the Company would have been Rs. 127.65 crores.

7.05 Bokaro Unit and Foreign works contributed losses to the extent of Rs. 72.46 crores and Rs. 38.07 crores respectively (upto March 1987). This accumulated loss may be broadly attributed to:-

- i) Existence of a large surplus labour force.
- ii) Huge investment in plant and machinery and their under-utilisation coupled with heavy burden of depreciation.
- iii) Interest charges on borrowed capital.

iv) Huge losses in foreign projects.

v) Low productivity.

vi) Blockage of funds in heavy inventories, and

vii) Delay in realisation of amount from sundry debtors.

7.06 Percentage of cost of sales to contract receipt has increased from 104.14 in 1978-79 to 128.65 in 1980-81 and 110.26 in 1983-84. Percentage of cost of Sales to Contract Receipts during 1984-85, 1985-86, 1986-87 and 1987-88 has however, decreased to 101.70, 98.82, 105.76 and 107.03 respectively. The net worth of the Company is negative since 1980-81. The Company incurred cash loss of Rs. 634.26 lakhs in 1982-83, Rs. 1087.85 lakhs during 1983-84, Rs. 510.47 lakhs during 1986-87 and Rs. 765.90 lakhs during 1987-88. There was, however, no cash loss during the years 1984-85 and 1985-86.

7.07 The Company had advanced large amounts to its sub-contractors in the form of mobilisation advances stores and services, and advances against value of work done etc. The total amount of advances outstanding against these sub-contractors as on 31.3.1988 was Rs. 3191.51 lakhs.

7.08 It was also observed that the bank guarantee furnished by some of the contractors was allowed to expire even though amounts were recoverable from them. In case of two such contractors which came to notice during test-check, the amounts outstanding was Rs. 136.83 lakhs.

7.09 It was also observed that some contractors against whom the

amounts were outstanding had no more dealings with the Company. As such, the possibility of amount being recovered from these contractors was remote. It would be of interest to note that the Company made a provision of Rs. 156.76 lakhs for doubtful advances upto 31.3.1987.

7.10 During test check, a case was noticed in which the amount was recoverable from the contractor but the measurement was not completed and final bill remained unsettled even after 15 years. The case in brief is as follows:

A private contractor was awarded civil engineering works of HRM Zone of Bokaro Steel Plant Stage-I at a value of Rs. 7.79 crores in 1967. The contractor was given secured advances aggregating Rs. 75.55 lakhs from January 1968 to June 1970 against their equipments. This amount included Rs. 19.48 lakhs on machinery manufactured between 1951 and 1958 which have already exhausted their working life at the time of sanction of advance. As the contractor could not make much progress in the works, the contract was closed in May, 1973 with mutual consent.

While an amount of Rs. 60.11 lakh was recoverable from the contractor no action was taken for final measurements. The contractor also submitted in part measurements only upto November, 1975. The Management stated (October, 1988) that the contractor started active participation in finalisation of measurements during last few years. The management has intimated that they were adjusting an amount of Rs. 54.24 lakhs against the amount of Rs. 60.11 lakhs recoverable from the contractors on account of machinery (Rs. 32.45 lakhs), amount

payable against other works (Rs.13.37 lakhs) and credit on account of machinery hire charges (Rs. 8.42 lakhs) leaving an amount of Rs. 5.87 lakhs still to be recovered (January, 1989).

The Management also stated (October, 1988) that "the claim submitted by the contractors for a total amount of Rs.127.00 lakhs (approx.) are under scrutiny by the committee appointed for the purpose".

Thus in a contract awarded in 1967, closed in 1973 without much progress, final measurement have not yet been completed and final bill has yet not been settled even after 15 years of closing down of work although the amount is recoverable from the contractor.

8. INVENTORY

8.01 The table given below indicates the number of month's consumption represented by inventory for the last three years.

(Rs. in Lakhs)

	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>
Stores, spares, loose tools, Petrol, Oil & lubricant.	2795.97	3128.87	2909.25
No. of month's Consumption	8.3	9.4	9.69

8.02 Test check of inventory holding of the Company revealed as follows:

8.02.01 Maximum and minimum limits in respect of various categories of stores have not been fixed.

8.02.02 No age-wise analysis of inventory has been done except in Bhilai and Bokaro. As such the extent of non-moving/slow moving items could not be ascertained for the inventory holdings for the Company as a whole. An analysis carried out in 1986-87 in Bokaro and Bhilai revealed surplus/obsolete stores valued at Rs.91.84 lakhs and Rs.51.44 lakhs respectively (Annexure - VI).

8.02.03. No physical verification had been conducted for material at sites amounting to Rs.1748.77 lakhs (including material lying with sub-contractors for which no balance confirmation had been obtained in most of the cases and wherever obtained the same had not been tallied with the Company's record).

8.02.04 Steel scrap to the extent of 9.92 M.T. at Bhilai Site and 357 M.T. at Bokaro Site was lying (March, 1988) for disposal/return to the client.

8.02.05 At Bhilai Site account of 34.92 lakhs empty cement bags was pending (March, 1988).

8.03 Four number of 540 model Belaz Dumpers were taken on loan from the client (Bokaro Steel Plant) in February, 1970 on the condition that the Company would replace them by similar type of equipment. As the Company did not replace the equipment it was decided (May, 1971) by the client to treat the transaction as sale.

Three orders for spares costing Rs. 10.08 lakhs were placed by the Company during the period November, 1974 to February, 1975 to be utilised for dumpers. Although the spares were to be supplied within 8 to 10 months, these were actually received in February, 1977 at a total cost of Rs. 30.34 lakhs (including custom duty of Rs.12.13 lakhs). In the meanwhile the dumpers developed certain troubles in their hydraulic system, transmission system and differential system, the dumpers could not be utilised beyond 1978. The spares procured for dumpers, therefore, remained unutilised. The dumper was disposed of in July, 1987.

8.04 The Management identified (July 1984) the spares (Value Rs.24.89 lakhs) related to obsolete imported equipment as surplus. A committee constituted for survey of surplus spares reported (February, 1985) that the spares may not fetch even five per cent of their value.

9. OTHER TOPICS OF INTEREST

9.01 Loss due to defective purchase agreement.

For the execution of Supa Dam, M.P.C.L. (now K.P.C.L.) invited tenders for construction equipments like Batching and Mixing Plant, Cable-ways, Rope-ways etc. On award of Supa Dam works to HSCL the offers alongwith comparative statement were passed on to the Company by M/s. M.P.C.L. The Company decided to consider these offers, as issue of fresh tender notice etc. would entail delay.

The Company entered into a purchase agreement with a U.K. firm in January, 1975 for supply, erection and commissioning of 240 CUM, Batching Plant for a total value of Rs. 69.30 lakhs stipulating the commissioning of plant in June, 1976.

Since, the Indian agent did not furnish the performance bond in the form of Bank Guarantee and also did not mobilise necessary resources at Supa, the agreement with them was terminated on 23rd July, 1976. The U.K. Firm lodged a claim of Rs. 179.35 lakhs against the Company which is still under arbitration. The Company on 7th August, 1976 entered into a contract with another firm who agreed to complete the installation of the plant by 31st December, 1976 on the same rates, terms and conditions as were agreed to with the U.K. firm. The Batching and Mixing Plant procured from U.K. firm was erected and commissioned on 31st May, 1978 as against the stipulated date of 31st December, 1976. Though the equipment was

commissioned in May, 1978 the capacity was tested only in December, 1979 (even though the contract provided for a warranty/guarantee of one year of 200 working days) and found that the equipment's performance was 156 CUM per hour instead of 240 CUM per hour.

The Company referred the matter to a private consultant in August, 1980 to assess the extent of damages/compensation recoverable on account of the lower output of the plant. The consultant opined that by following the direct straight line relationship between nominal output mentioned and actual output, the reduction in price would be 33%. But according to the normal trade practice of 75 to 80 per cent mechanical efficiency the reduction would be 14%.

Since the Company could not assess the quantum of damages owing to supply of the lower capacity plant and there being no explicit provision in the agreement regarding guarantee of output and penalties, it decided to forfeit the Bank Guarantee and balance payment as under:

1.	Bank Guarantee of U.K. Firm	Rs.3,58,403
2.	Bank Guarantee of the 2nd firm	Rs.1,65,598
3.	Estimated outstanding dues of the 2nd firm	Rs. 95,180
		<hr/>
		Rs. 6,19,181
		<hr/>

Thus, owing to failure to incorporate a suitable provision for the actual output capacity

and provision for levy of penalty in the event of non-achievement of the rated capacity in the contract the Company could not realise compensation/penalty commensurate with the loss due to lower rated capacity of the plant.

9.02 Loss of Rs. 38.44 Lakhs on account of recovery of penalty by Karnataka Power Corporation Limited (K.P.C.L.)

In the supplementary agreement with Karnataka Power Corporation Limited (KPCL) for the balance works of construction of Supa Dam, it was stipulated that in case of shortfall in the progress of the concreting items with reference to the mutually agreed programme, the penalty shall be leviable on HSCL @ Rs. 50/- per cum. The total amount of penalty payable under the above clause shall not, however, exceed Rs. 100 lakhs.

The programme, progress and shortfall of concreting during 1981-82 and 1982-83 were as under:-

(Unit in CUM)

Year	Pro-gramme	Pro-gress	Short-fall	Shortfall Attributable to	
				HSCL	KPCL
1981-82	234755	147369	87386	56159	31227
1982-83	215141	172552	42589	31959	10630
				<u>88118</u>	<u>41857</u>

However, KPCL imposed and recovered penalty of Rs.44.09 lakhs towards shortfall in the concreting programme for the years 1981-82 and 1982-83. Out of the penalty of Rs. 44.09 lakhs, the Company proposed to recover an amount of Rs. 15.00 lakhs from the sub-contractors based on the quantum of work actually executed by them.

However, the Company could recover only Rs. 5.65 lakhs so far leaving a balance of Rs.9.35 lakhs, the reasons for non-recovery of the balance amount of Rs. 9.35 lakhs are not on record.

9.03 Non-recovery of cost of materials supplied in excess of requirement.

The work of construction of Township at Bhawanathpur Limestone Mines was got executed by the Company through piece-rate workers during 1972 to 1976. As per work orders, cement and bricks were issued to the contractors free of cost. After finalisation of the bills in respect of these work orders in 1980-81 it was found that materials worth Rs. 5.78 lakhs were issued in excess of requirement to the contractors. In the absence of the address of the PRWs, the Company could neither recover the amount nor initiate any legal action for recovery of the material nor its cost.

Ministry stated (January, 1988) that the matter was being examined in details by the committee and the report was awaited.

Thus for a work executed during the period 1972 to 1976 for which bills were finalised in 1980-81, the matter regarding amount recoverable by the Company is still under examination after 12 years of completion of work.

K. Tyagarajan

New Delhi
The

30 OCT 1989

(K. TYAGARAJAN)
Chairman, Audit Board and Ex-officio
Additional Deputy Comptroller and
Auditor General (Commercial)

Countersigned

T.N. Chaturvedi
(T.N. CHATURVEDI)

Comptroller and Auditor General of India

New Delhi
The

30 OCT 1989

ANNEXURE - I

STATEMENT SHOWING INSTANCES OF LUMP-SUM SETTLEMENT/
SETTLEMENT THROUGH ARBITRATIONS/NEGOTIATIONS.

(Referred to in para 4.02.03 (e))

(Rs. in lakhs)

Sl. No.	Name of the unit	Nature of Claim	Amount of the claim	Amount settled	Remarks
1	2	3	4	5	6
1.	Bokaro	Claims for all materials and wage escalation claims for Civil Engg. Structural erection works of Stage I & II upto 31.3.1975 and all other claims of HSCL and BSL in respect of civil Engg. Structural works upto 31.3.1975.	2743.00	535.00	Settled through Arbitration
2.	-do-	Claims on account of carumobles escalation for structural works, revision in rates of structural work and repudery lining, idle labour, reduction in working hours and revision of wages etc. upto 31.3.1983	3803.00	1300.00	-do-
3.	Bhilai	Claims on account of wage escalation, insurance claims, rate revision and special allowances of monsoon water, revision of wages etc. upto 31.3.1983.	3166.78	860.00	-do-

ANNEXURE - I (Contd.)

1	2	3	4	5	6
4.	Bokaro	Claims for wage escalation for structural erections done in C.R.M., H.R.M. and S.M.S. Zones after 1.4.72 for Stage-I and total claims for changed elements of sales tax.	172.56	128.00	Settled through negotiation.
5.	-do-	Extra items towards commissioning expenses in equipment erection of BP, HRM & CRM.	230.00	175.00	-do-
6.	-do-	Claim for extra items pertaining to creation work of mechanical equipments.	627.87	425.00	-do-
7.	-do-	Claims for increase in prices due to labour, materials, consumables, transportation including wage escalation after 1.4.1975 till completion of the works in respect of Agt. No. T&C/ Elect/95, 96 & 97.	118.00	60.00	-do-
8.	-do-	Claims for escalation on consumables wage, escalation on items not covered by the contract, overheads etc. in respect of Civil Engineering works Stage I & II executed during 1975-76 to 1976-77.	Not worked	700.00	-do-

ANNEXURE - 1 (Contd.)

1	2	3	4	5	6
9.	Bokaro	Claims for escalation on consumables wage escalation on items not covered by the contract overhead etc. in respect of civil engg. works of stage I & II executed during 1977-78 & 1978-79.	Not worked out	300.00	-do-
10.	Bokaro	Claims for extra items in respect of Civil Engg. contracts of Stage I & II executed upto 31.3.1979 excluding claims pertaining to chemical protection works on account of reduction in working hours.	Not worked out	980.00	-do-
11.	-do-	Claims for revision of rates pertaining to mechanical works executed under 7 contract within 1.4.1975 to 30.9.1977.	-do-	275.00	-do-
12.	-do-	Claims of M/s. HEC on account of wage escalation, price escalation and extra items	33.42	Claims valuing Rs.30.86 was rejected and balance is pending for settlement.	
13.	Durgapur	Claims on account of escalation on EPI	15.96	Pending for settlement.	
14.	Burnpur	Claims on account of Wage escalation on M/s. IISCO	42.46	11.72	
15.	NTPC/ Korba & Singrauli	Claim on account of wage escalation over-run cost, etc.	237.81	172.99	
16.	Nagjhari	Claims for wage escalation	53.00	Pending for settlement.	

ANNEXURE - IITABLE SHOWING TOTAL GROSS BLOCK AND GROSS BLOCK OF
PLANT & MACHINERY

(Referred to in para 5.01)

(Rs. in lakhs.)								
Year	Capital	Reserves	Plan Loan Loans & Advances from Banks (2+3+4+5)	Total	Other	Gross Block	Gross Block	
(1)	(2)	(3)	MECON (4)	Institution (5)	(6)	(7)	(8)	(9)
31.3.74	50.00	256.78	242.50		549.28	638.20	1183.46	
31.3.75	50.00	289.58	492.50	-	832.08	772.18	1604.26	1203.47
31.3.76	100.00	326.65	589.17	25.00	1040.82	1370.44	2411.26	1411.39
31.3.77	300.00	470.47	614.67	401.54	1786.68	2098.62	3885.30	2174.94
31.3.78	500.00	536.34	699.11	547.83	2283.28	2264.65	4547.93	2533.38
31.3.79	850.00	513.76	731.33	504.33	2599.42	2352.32	4951.74	3821.96
31.3.80	1250.00	563.86	834.56	608.51	3256.93	2296.81	5553.74	4197.66
31.3.81	1450.00	594.72	911.00	976.14	3931.86	2291.84	6223.70	4460.50
31.3.82	1850.00	612.11	911.00	1027.60	4400.71	2298.14	6698.85	4741.91
31.3.83	2000.00	643.34	1400.00	1047.09	5090.43	2066.44	7156.87	5011.71
31.3.84	2000.00	651.66	1734.00	1026.95	5412.61	1936.71	7349.32	5096.50
31.3.85	2000.00	346.14	2324.00	920.47	5590.61	2128.15	7718.76	5385.78
31.3.86	2000.00	113.92	2809.00	806.03	5728.95	2336.58	8065.53	5591.65
31.3.87	2000.00	113.92	3309.00	690.28	6133.20	2487.73	8600.93	5926.22

ANNEXURE - III**STATEMENT SHOWING THE UTILISATION OF PLANT AND MACHINERIES IN SOME MAJOR PROJECT SITES**

(Referred to in para 5.02)

Name of the Project site	Year	Available hours	Working hours	Percentage of working hours to available hours
(1)	(2)	(3)	(4)	(5)
Bokaro	1982-83	213411	110608	51.83
	1983-84	149709	66498	44.59
	1984-85	151368	52657	34.78
	1985-86	130280	48203	37.00
	1986-87	129417	52547	40.60
Bhilai	1982-83	169205	95508	56.44
	1983-84	157190	67262	42.00
	1984-85	150424	60766	40.40
	1985-86	144101	72788	50.51
	1986-87	125978	69542	55.20
Supa	1982-83	61916	12387	20.01
	1983-84	92169	32357	35.11
	1984-85	55710	23342	41.90
	1985-86	51042	20240	39.65
	1986-87	18158	6005	33.07

Note: Available hours of equipment are normally worked out on the basis of 8 hours on a regular working day.

ANNEXURE - IV**STATEMENT SHOWING PERCENTAGE OF IDLENESS & BREAKDOWN
OF PLANT & MACHINERY DURING 1982-83, 1983-84 and 1984-85**

(Referred to in para 5.02)

Description of Machinery	Available hours	1982-83			
		Idle hours	%	Break down hours	%
(1)	(2)	(3)	(4)	(5)	(6)
<u>Tata P & H 955 ALC Cranes</u>					
T 9451 (CN 10)	2400	799	33.29%	833	34.70%
T 9515 (CN 35)	2419	612	25.3%	52	
<u>HM 101 M Cranes</u>					
HM 296 (CN 33)	2400	1798	74.92%	190	
HM 297 (CN 32)	2400	-	-	2000	83.33%
<u>Tata P & H 655 BLC</u>					
T 6224 (CN 13)	2400	1078	44.92%	96	
<u>Tata P & H 320 Cranes</u>					
T 3106 (CN 7)	2400	1218	50.75%	165	
<u>Coles Cranes</u>					
Wagon Mounted (CN 36)	2512	590	23.49%	1340	53.34%
<u>Escorts Hydramoc Cranes</u>					
091 (CN 6)	2565	120		963	37.54%
<u>Dumper</u>					
H 1205 (TD 2)	2400	-	-	2400	100%
H 5703 (EDF 3)	2400	-	-	2400	100%

(1)	(2)	(3)	(4)	(5)	(6)
Dozers					
D 120-A 18-1226(D-2)	2466	270		769	31.18%
-do- 1229 (D-3)					
-do- 1854 (D-11)	2400	-	-	2400	100%
D 80-A 12-6107 (D-4)	2441	750	30.73%	794	32.53%
-do- 6250(D-6)	2400	636	26.5	889	37.04
-do- 6255 (D-7)	2400	-	-	2400	100%
HD 21 (7922) (D-1)	-	-	-	-	-
HTD 100 (8780) (D-5)	2400	-	-	2400	100%
TD 25 (2592) (D-9)	2400	-	-	2400	100%
D-50-A-15(7975)(D-10)	1600	680	42.5%	402	25.13%

(Referred in para 5.02)

Sl. No.	Description of machine	Available hours	1983-84			
			Idle hours	%	Breakdown hour	%
1	2	3	4	5	6	7
1.	<u>TATA P & H ALC Cranes-955</u>					
f)	T-9516 (CN-26)	2400	797	33.21	880	36.67
g)	T-9518 (CN-27)	2400	1611	67.13	170	
h)	T-9519 (CN-30)	2406	710	29.50	159	
i)	T-9520 (CN-31)	2400	1050	43.75	114	
j)	T-9521 (CN-34)	2400	909	37.88	245	
2.	<u>H.M. 101 M Cranes</u>					
a)	H.M. 296 (CN 33)	2400	1288	53.67	942	39.25
b)	H.M. 297 (CN 32)	2400	271		1850	77.08
3.	<u>TATA P & H 655 BLC CRANES</u>					
a)	T-6220 (CN 14)	2400	813	33.88	306	
b)	T-6222 (CN 8)	2406	656	27.27	883	36.7
c)	T-6224 (CN 13)	2400	1650	65.00	253	
4.	<u>TATA P & H 320 CRANES</u>					
a)	T-3103 (CN-17)	2400	954	39.75	177	
b)	T-3106 (CN 7)	2400	1445	60.21	237	
c)	T-3144 (CN 19)	2400	374		1302	54.25
d)	T-3145 (CN 20)	2400	850	35.42	338	
e)	T-3146 (CN 23)	2400	764	31.84	84	
f)	T-3148 (CN 25)	2327	988	42.46	179	

(Referred in para 5.02)

1	2	3	4	5	6	7
5. COLES CRANES						
a)	Wagon Mounted (CN 2)	2400	-	-	2400	100
b)	-do- (CN 5)	2400	1712	71.34	169	
c)	-do- (CN 36)	1000	1000	100	-	
6. TATA P & H A SHOVEL						
a)	T-1101 (SH 1)	2400	-	-	2400	100
b)	EUCLID	-				
i)	H-5703 (ED-2)	2400	-	-	2400	100
7. DOZERS						
a)	D-120-1-18					
	1226 (D-2)	2400	50	-	2213	92.21
b)	D-80-A-12					
i)	6107 (D-4)	2328	162		1091	46.66
ii)	6250 (D-6)	2400	254	-	1844	76.84
iii)	6227 (D-8)	2435	196	-	1094	44.93
TOWER CRANES						
a)	BK-1000 A					
i)	3AB/328	2400	2124	88.5	10	
ii)	3AB/339	2200	1321	60.05	221	
iii)	3AB/348	2400	1811	75.46	35	
iv)	3AB/352	2461	907	36.85	127	
v)	3AB/400	2200	1508	68.55	333	

(Referred in para 5.02)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	b) BK-406	2400	2400	100.00	-	
	c) BK-300	2400	2394	99.75	-	
	d) BK-151 (ii)	2400	1868	77.84	-	
	do- (iii)	2200	2173	98.77	-	
	e) Gantry Crane (CN 18)	2400	2066	86.08	90	
	f) MCK - 520	2400	1682	70.08	8	
	g) Revolving Crane (i)	2400	1808	75.34	164	
	12. A.B.P.	2400	1160	48.33	90	

**UTILISATION OF HEAVY EQUIPMENT OF
BHILAI UNIT FOR THE YEAR 1984-85 &
PERCENTAGE OF IDLENESS & BREAKDOWN**

(Referred to in para 5.02)

Sl.	Description of Machinery	Available hours	Idle hours	%	Break down hours	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>TATA P&H 955 ALC CRANES</u>						
1.	T-9459 (CN 9)	2432	823	33.84	165	
2.	T-9461 (CN 10)	2400	1001	71.70	197	
3.	T-9492 (CN 41)	2490	350		1023	41.08
4.	T-9516 (CN 26)	2400	278		1925	80.21
5.	T-9521 (CN 34)	2400	458		681	28.38
<u>H.M. 101 M Cranes</u>						
1.	HM 296 (CN 33)	2400	450		1789	74.54
2.	HM 297 (CN 32)	2400	1213	50.54	357	
<u>TATA P&H 655 BLC CRANES</u>						
1.	T-6220 (CN 14)	2400			2400	100.00
2.	T-6224 (CN 13)	2400	812	33.83	130	
<u>TATA P&H 320 CRANES</u>						
1.	T-3103 (CN 17)	2400	745	31.04	179	
2.	T-3106 (CN 7)	2400	1166	48.58	171	
3.	T-3144 (CN 19)	2400	818	34.08	149	
4.	T-3145 (CN 20)	2400	793	33.04	188	
5.	T-3148 (CN 25)	2409	798	33.13	213	

(Referred to in para 5.02)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Coles Cranes</u>						
1.	Wagon Mounted (CN 2)	2400			2400	100.00
2.	-do- (CN 5)	2400	2381	99.08	-	-
3.	-do- (CN 37)	2400	1264	52.67	-	-
<u>LOADER</u>						
1.	Loader Escorts (L-1)	2418	874	36.15	24	
2.	BEML Truck Shovel (L-2)	2400	402		1648	68.67
<u>TATA P&H 955 A SHOVEL</u>						
1.	T 1101 (SH-1)	1800			1800	100.00
<u>DUMPERS</u>						
1.	H 1206 (TD 2)	2400	571		1619	67.46
2.	H 5703 (ED 2)	2400	571		1619	67.46
<u>DOZERS</u>						
1.	D-120-A-18-1226 (D 2)	2400	736	30.67	349	
2.	-do- (D 3)	2400			2400	100
3.	-do- (D 12)	2400			2400	100
4.	D-80-A-12-6107 (D 4)	2400	649	27.04	489	
5.	-do- (D 6)	2400	604		1373	57.21
6.	-do- (D 8)	2400	394		1682	70.08
7.	HD 21-D (1)	2000	-	-	1800	75.0
8.	HTD-100 D (5)	2400	1666	69.42	610	-

(Referred to para in 5.02)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>TOWER CRANES-BK-1000-A</u>						
1.	3 AB/328	2400	2374	98.92	-	
2.	" 339	600	200	33.34	400	66.67
3.	348	2400	2192	91.34	8	
4.	352	2422	896	36.99	36	
5.	BK - 406	2400	2400	100.00	-	
6.	BK-151 (i)	2400	1018	42.42	8	
7.	BK-151 (ii)	2825	898	31.79	268	
<u>GANTRY CRANES</u>						
1.	CN - 8	2400	2380	99.67	16	
2.	MCK - 520	2400	2245	93.54		
3.	Revolving Crane (i)	2400	1901	79.21	400	
4.	Derrick Marger Crane	2400	2400	100.00	-	
5.	A.B.P. 120 Cu.Yd. per H	2400	1515	63.13	40	

ANNEXURE - V

STATEMENT INDICATING THE GROWTH OF MANPOWER

(Referred to in para 6.02.01)

Years	Overall total strength	Strength at		Total contract receipts (Rs.crores)	Turn over in Bokaro (Rs. crores)
		Bokaro	Other Place		
1967-68	1115	1115	-	4.43	4.43
1968-69	1650	1650	-	20.94	20.94
1969-70	1968	1932	36	25.32	25.31
1970-71	4149	4107	42	32.32	31.47
1971-72	9980	9406	574	39.62	38.30
1972-73	20135	13626	6509	50.37	41.23
1973-74	20430	16773	3657	46.94	30.58
1974-75	21995	15887	6108	52.01	28.92
1975-76	22475	16560	5915	64.71	34.33
1976-77	23843	16889	6954	76.70	33.38
1977-78	26429	15744	10685	105.93	33.52
1978-79	26537	15312	11225	114.59	21.73
1979-80	26266	14862	11404	122.98	31.07
1980-81	25355	14436	10919	152.18	22.23
1981-82	24516	12075	12441	154.72	23.13
1982-83	23936	11738	12198	170.53	37.47
1983-84	23625	11522	12103	165.73	34.08
1984-85	23312	10859	12453	185.24	25.60
1985-86	22900	9150	13750	187.54	28.32
1986-87	21910	7925	13985	179.28	37.84
1987-88	21498	7853	13645	172.17	33.16

ANNEXURE - VI**STATEMENT SHOWING STOCK POSITION AT BOKARO AND BHILAI**

(Referred to in Chapter 8.02.02)

(Rs. in lakhs)

Classification	As on 31st March, 1983		As on 31st March, 1984		As on 31st March, 1985		As on 31st March, 1986		As on 31st March, 1987	
	Bokaro	Bhilai	Bokaro	Bhilai	Bokaro	Bhilai	Bokaro	Bhilai	Bokaro	Bhilai
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Reinforcement	24.11	-	-	-	-	-	3.48	-	6.26	-
2. Electricals	5.50	1.95	8.06	-	8.06	5.43	9.03	5.43	9.03	3.06
3. MC & MECR items	-	-	-	-	-	-	-	-	-	-
4. Pipe & Pipe fittings	4.71	2.41	8.58	0.93	0.74	5.19	9.98	5.19	7.98	4.43
5. Hardware items	-	3.78	-	7.98	-	14.65	-	14.65	-	6.54
6. P.W. Materials	-	1.43	-	1.37	-	7.29	-	7.29	1.06	4.58
7. Small Tools	0.18	1.55	0.43	-	0.43	-	1.32	-	0.82	4.08
8. Building materials	13.60	0.56	18.82	0.30	19.28	3.11	12.65	3.11	12.65	1.22
9. Miscellaneous items	0.45	4.53	0.99	4.19	1.14	4.56	1.28	4.56	1.28	2.68
10. Structural Steel	-	-	-	-	-	-	17.34	-	17.34	-
11. P.O.L.	0.92	-	-	-	-	-	0.92	-	-	-
12. Fab Pipe	0.64	-	0.53	-	0.53	-	0.55	-	0.53	-
13. Statinery	-	-	-	-	-	-	-	-	-	-
14. Spares	44.24	11.73	24.89	8.77	40.10	27.26	35.18	27.26	34.89	24.8
Total	94.35	27.94	62.30	23.54	79.28	67.49	91.73	67.49	91.84	51.44

ERRATA

Page No.	Column	Reference	For	Read
V	1	21 line	Projects and Engineering Corporation	The Projects and Equipment Corporation of India Ltd.
VI	2	4th line from bottom	16	15
4	2	4th line from bottom	sectors upto	Sectors. Upto
6	1	4th line	the	these, the
9	1	18th line	-)
9	1	19th line	306) 3060 ID
9	2	16th line	19*	19
9	2	12th line from bottom	*The percentage has changed... contract	-
10	1	12th line from bottom	Project Engineering Corporation (PEC)	The Projects and Equipment Corporation of India Ltd. (PEC)
10	1	7th line from bottom	Project and Engineering Corporation (PEC)	The Projects and Equipment Corporation of India Ltd. (PEC)
11	1	10th line	3.06	30.60
12	2	8th line from bottom	()	-
13	1	10th line from bottom	17,928	10,684
14	2	6th line from bottom	(Depreciated value)	(Depreciated value - Rs. 5.45 lakhs)
16	1	7th line	Deirectors	Director's
16	2	6th line from bottom	Refractory	Refractory
17	2	8th line from bottom	adopted,	adopted by
20	Under the figures for the year 1987-88	Last line	29,652.18	19,652.18
21	-	Last line	53.35	59.35
21	figures for the year 1987-88	1st line	1152.02	1151.02
22	2	12th line	122.32	128.65
24	2	12th line	1970. On	1970 on
24	2	7th line from bottom	24.98	24.89
26	1	last line	41859	41857
26	1	7th line from bottom	Short attributable fall to	shortfall attributable to
29	Column 6 of table	1st line of table	-do-	Settled through negotiation
30	Column 6 of table	29th line	rejected by	rejected
31	-	Right top corner	-	(Rs. in lakhs)
31	Column 6 of table	1st line	549.29	549.28
35	Column 4 of table	2nd line of table	611	1611
35	Column 2 of table	5th line from bottom	(CN 19)	(CN 7)
37	Column 2 of table	4th line from bottom	(CN 12)	(CN 18)
38	Column 2 of table	10th line from bottom	(CN 13)	(CN 32)
41	Column "Strength of Bokaro" in table	Last line	-	7853
41	Column "Strength of other places" in table	Last line	-	13645
41	Column "Total Contract receipt" in table	Last line	-	172.17
41	Column "Turn-over in Bokaro" in Table	Last line	-	33.16
42	Column 2 of table	1st line of table	4.11	24.11

